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EX PARTE OR LATE FILED

Ameritech

James K. Smith
Director
Federal Relations

March 28, 1997

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
Washington, D.C. 20554

Re: Ex Parte Correspondence-CC Docket No. 96-98

Dear Mr. Caton:

At the request of staff, attached is Ameritech's response to AT&T's Ex Parte Correspondence dated March 20, 1997. Ameritech's analysis of AT&T's recalculations indicates that AT&T continues to present to the Commission a distorted view of the economic viability of "shared transport" predicated on the use of discrete interoffice transmission facilities. It seeks by inference to suggest that shared transport can only have viable economic meaning if it is viewed as synonymous with "common transport"-- a service whereby a call is delivered to the ILEC network and routed as any other call over the ILEC network. This undifferentiated use of the ILEC network is the essence of what constitutes a service, as opposed to a network element. Any back door attempt to undermine the difference between a service and a network element would contravene express statutory language as correctly construed by the Commission in this Docket. See e.g., First Report and Order, FCC 96-325 at paras. 334, 343, and 358.

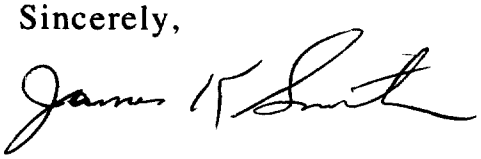
In responding to AT&T, Ameritech once again demonstrates that shared transport utilizing discrete interoffice transmission facilities as unbundled network elements has true economic meaning as an option for local exchange competition. AT&T's Ex Parte would suggest that costs using shared transport under Views #1 and #2 are generally higher than obtaining service at wholesale rates. The

attached information, using calculations based upon approved negotiated contract prices and commonly accepted utilization parameters, shows a 70% differential below the wholesale cost component. This remains the case even when non-recurring charges are factored in. (Compare Ameritech's Base Line View with View #3. The Base Line View increases by $0.000433131 if non-recurring costs are spread over 3 years and by $0.000162424 if spread over 8 years.) When combined with the wholesale service discount, a CLEC has the opportunity to realize a savings of approximately 50% from retail rates. This clearly demonstrates that shared transport is a viable economic alternative should a CLEC choose this option.

Whether a CLEC chooses to take advantage of shared transport necessarily involves some degree of risk assessment. Congress has recognized that CLECs have the option of reselling ILEC services, using unbundled network elements, or constructing new networks, with increased risk associated with the respective options. This increased risk is offset by the prospect that the CLEC can lower its cost structure and increase its profit margin by controlling its network design and product offerings. The attached Concept Diagram illustrates this well recognized tradeoff.

AT&T is asking the Commission to disregard this tradeoff. It essentially seeks to have the Commission construe shared transport in a manner which gives it a TELRIC cost structure, but at a level of risk normally associated with resale of telecommunications services at wholesale rates. The attached information demonstrates that the opportunity to realize economic efficiencies associated with the use of unbundled interoffice transmission facilities exists if AT&T itself efficiently and prudently uses network elements to design its own network configurations.

Sincerely,



Attachments

cc: Mr. D. Ellen
Mr. K. Gude
Mr. J. Jennings
Ms. F. Setzer
Mr. D. Stockdale
Ms. L. Gelb
Mr. V. Gupta
Mr. E. Krachmer
Mr. D. Slotten
Mr. B. Cox (AT&T)

AMERITECH ANALYSIS OF AT&T'S UNBUNDLED TRANSPORT WITH SWITCHING SIDE BY SIDE COST COMPARISON SUMMARY* ILLINOIS

			AT&T's Analysis	Ameritech's Analysis
Base Line View				
Combination of direct and tandem trunks (80/20)			$0.000776 /min.	$0.001384 /min.
View #1				
Combination of dedicated transport & reciprocal compensation			$0.022092 /min.	$$.003866 /min.
View #2				
100% Tandem using dedicated transport			$0.041767 /min.	$0.0031148 /min.
View #3	Band	Residence	Business	
Wholesale Service	A	$0.0057 /min.	$0.0106 /min.	$0.004442/min.(avg.)
	B	$0.0184 /min.	$0.0219 /min.	
	C	$0.0261 /min.	$0.0322 /min.	

* Non-recurring charges not included in any analysis

BASE LINE VIEW*
ILLINOIS

NOTE: This analysis assumes the call uses CLEC unbundled interoffice transmission facilities between designated end offices, It assumes that 80% of the calls would be directly routed, end office to end office and that 20% of the calls would be routed through the tandem.

.0009515 ~~.00046~~ (End Office to End Office Trunk Cost) x .8 (% of traffic direct routed)	$.0007612 ~~$.000368~~
.0013684 ~~.00083~~ (Tandem to End Office Trunk Cost) x .2 (% of traffic tandem routed) x 2 (# of trunks)	$.0005472 ~~$.000332~~
.000378 (Unbundled Tandem Rate) x .2 (% of traffic tandem routed)	$.0000756
Average Cost Per Minute of use for combined direct and tandem trunks	$.001384 ~~$.000776~~

* Non-recurring charges not included in any analysis

The Reason Ameritech's price of $.001384 is different from AT&T's price of $.000776

1. AT&T does not use actual contract prices. Rather, it attempt to unilaterally revise pricing that has already be established by the Illinois Commerce Commission.

2. The Contract Price for trunks between two end offices is $169.91 (See Page 6)
   $169.91 ÷ 24 ÷ 7,440 = $.0009515. The so-called "Hatfield" price of .00046 is not in the contract.

3. The Contract Price for trunks between an end office and a tandem is $244.35 (See Page 6)
   $244.35 ÷ 24 ÷ 7,440 = $.0013684. The so-called "Hatfield" price of .00083 is not in the contract

VIEW #1*

NOTE: This analysis assumes that all calls use CLEC trunks (unbundled interoffice transport + a trunk port) from the originating end office to a designated Ameritech tandem and transport & termination (Reciprocal Compensation) to complete the call from the tandem.

Dedicated Trunks = $110.61 ÷ 288 (12:1 line/trunk ratio) × 620 (Avg. Min/Month)	$.0006194
~~Dedicated Trunks = $1603.85 ÷ 192 (8:1 line/trunk ratio) ÷ 400 (Avg. Min/Month)~~	~~$.020883~~
Transport & Termination = .000956 + .000193 + .00006 **+ .00500** ^	$.006209
~~Transport & Termination = .000956 + .000193 + .00006 ^~~	~~$.001209~~
Total cost per minute of use for trunks and Transport & Termination	$.006828
~~(excludes termination charges)~~	~~$.022092~~

Trunking Component of the cost is $.003866

* Non-recurring charges not included in any analysis

The Reason Ameritech's price of $.003866 is different from AT&T's price of $.022092

1. The Contract Price for trunks from an end office to tandem office without a tandem port is $110.61 (See Page 6) $110.61 ÷ 24 ÷ 7,440 = $.0006194.

2. Trunk ratio of 12:1, compared to 8:1

3. 620 minutes per line compared to 400

4. The Contract Price for Transport and Termination is $.006209 (See Page 6). AT&T omitted the end office local termination charge of $.00500. The local termination charge is different from the unbundled local switching usage charge of $.002962. Thus, $.002962 has been subtracted to create the estimate of the Trunking Component . $.006828 - $.002962 = $.003866.

VIEW #2*

NOTE: This analysis assumes that all calls use CLEC trunks (unbundled interoffice transport + 2 trunk ports) from the originating end office to the tandem and CLEC trunks from the tandem to the terminating end office.

Dedicated Trunks = ~~$1603.85 ÷ 192~~ (~~8:1~~ line/trunk ratio) x 2 (originating DS1 & Terminating DS1) ÷ ~~400~~ (Avg. Min/Month) = ~~$.041767~~ per equivalent minute of use

$244.35 288 12:1 620 $.0027368

Plus Tandem switching charge of $.000378 /min. = $.000378

Total = $.0031148

* Non-recurring charges not included in any analysis

The Reason Ameritech's price of $.0031148 is different from AT&T's price of $.041767

1. The Contract Price for trunks from an end office to tandem office without a tandem port is $244.35 (See Page 6) $244.35 ÷ 24 ÷ 7,440 = $.0013684 which is used twice to represent two end office/tandem links.
2. Trunk ratio of 12:1, compared to 8:1
3. 620 minutes per line compared to 400
4. AT&T omitted the tandem switching rate element of $.000378.

VIEW #3*

NOTE: This view uses Ameritech's proposal to utilize its existing common transport network as a service and compensate Ameritech at its wholesale rates.

Band	Mileage	Residence	Business
A	0-8 Miles	$.0057 per minute of use	$.0106 per minute of use
B	8-15 Miles	$.0184 per minute of use	$.0219 per minute of use
C	>15 Miles	$.0261 per minute of use	$.0322 per minute of use

Average Wholesale Minute of Use Cost is $.010366
Trunking Component of this Cost is $.004442

* Non-recurring charges not included in any analysis

The Reason Ameritech's price of $.010366 is different from AT&T's tariff reference.

1. AT&T's analysis referenced Illinois rates which terminated on January 31st of this year.

2. The new rate structure is difficult to model because of time of day and volume discounts.

3. As a surrogate for the average rate created by the analysis in other views, Ameritech calculated the average revenue per minute by dividing the total revenues for usage based services by the total minutes of use and discounted that rate by 20% to approximate the wholesale discount in Illinois. This provided an average rate of $0.010366 per minute.

4. To develop a comparison to the trunking calculations utilized in this analysis the Wholesale Minute of Use cost must be reduced to eliminate local switching costs which are not included in the other trunking comparisons. This is accomplished by subtracting two local switching usage charges from the wholesale rate. $.010366 - (2 x $. 002962) = $0.004442.

CONTRACT PRICES IN ILLINOIS

END OFFICE to END OFFICE

Trunk Port	$59.10
Cross-Connect	$5.19
Interoffice Termination	$16.29
DS1 Mileage (5 mile)	$8.75
Interoffice Termination	$16.29
Cross-Connect	$5.19
Trunk Port	$59.10
	169.91

END OFFICE to TANDEM

Trunk Port	$59.10
Cross-Connect	$5.19
Interoffice Termination	$16.29
DS1 Mileage (5 mile)	$8.75
Interoffice Termination	$16.29
Cross-Connect	$5.19
Tandem Trunk Port	$120.21
Tandem Port Features	$13.53
	$244.35

RECIPROCAL COMPENSATION

End Office Local Termination	$0.005000	per minute
Tandem Switching	$0.000956	per minute
Tandem Transport Termination	$0.000193	per minute
Tandem Transport Facility Mileage	$0.000060	per minute
(5 miles x $0.000012) Total	$0.006209	per minute

UNBUNDLED SWITCH USAGE

Local End Office	$.002962
Tandem	$.000378

ASSUMPTIONS AND RATES USED BY AMERITECH

- Rates are from signed and approved Ameritech-AT&T Illinois Agreement dated 1/14/97
- Only one DS1 trunk port at $59.10 required to terminate a DS1 in an End Office (AT&T incorrectly assumed 24)
- 20% of interoffice traffic routed through a tandem, 80% of interoffice traffic routed directly between end offices (Base Line View)
- 100% of traffic routes through the tandem for Views #1 & #2.
  NOTE: Ameritech believes this is a poor assumption, but recalculated it for comparison purposes.
- Average Mileage length of 5 miles used for all dedicated transport
- Line to trunk ratio of at least 12:1 would typically be used by the industry (both new and incumbent LECs)
- Average Interswitch Usage (Local and Toll) 620 minutes per line
- Average monthly minutes per trunk is 7440 minutes (12 lines/trunk x 620 minutes/line)
  NOTE: AT&T's position that its customers would average only 400 minutes/line and that AT&T would design a network based on using only 1 trunk for 8 of these below average customer is counter-intuitive. A loading of 3200 minutes per trunk (8 lines/trunk x 400 minutes/line) per month would imply an average of only one 4.5 minute call per trunk per hour. Such loading is simply not realistic for any network provider. It would also appear to be inconsistent with AT&T's actual experience on its own network. Ameritech's assumption of 7440 minutes per month per trunk is conservative. The FCC required carriers to assume 9000 minutes per month in Local Transport Restructuring proceeding and during the early days of Long Distance competition AT&T claimed SPRINT was averaging 12,000 minutes of use on its ENFIA trunks.
- Reciprocal Compensation Charges and ULS usage charges are different and must be applied as appropriate (differences in View #1 vs. Base Line View and View #2).
- In multi-office wire centers (large wire centers with more than 1 switch) AT&T would need to obtain unbundled local switching elements in only one switch, not all switches)
- Non-recurring charges are also part of the same 1/14/97 Agreement
- AT&T would likely require only 26 line codes per switch to provide a robust line of services. Additional line class codes are available at AT&T's option at a non-recurring charge of $232.00 each. Line class codes would be required regardless of the transport option utilized. AT&T apparently bases its line class code requirements on estimated line class code requirements for OS/DA routing associated with resold services not unbundled switching.
- Rates for View #3 should be averaged for comparison purposes (AT&T used rates which expired 1/31/97).

NON-RECURRING CHARGES PER AT&T - AMERITECH 251 AGREEMENT

NON-RECURRING CHARGES ASSOCIATED WITH UNBUNDLED LOCAL TRANSPORT

Service Order Per DS1	$98.73
Design and Central Office Connection	$636.43
Carrier Connection Charge per termination @ 588.93 (2 required)	$1177.86
Clear Channel Signaling per DS1	448.20
Total per DS1	$ 2361.22
Administrative Charge Per Order	$408.05
Plus Admin. Charge	$2769.27

Note: Multiple DS1s can be placed on a single order

NON-RECURRING CHARGES ASSOCIATED WITH UNBUNDLED LOCAL SWITCHING

NOTE: These charges are applicable regardless of the transport alternative selected.

Trunk Port Connection Charge per DS1 port	$770.29 Initial	$29.16 Subsequent
Service Ordering Charge per occasion	$398.73 Initial	$17.37 Subsequent

NON-TRANSPORT RELATED NON-RECURRING CHARGES ASSOCIATED WITH UNBUNDLED LOCAL SWITCHING

Billing Development Charge per switch	$35,328.87	
	AMERITECH ASSUMPTION	AT&T ASSUMPTION
Custom Routing Charge $232.24 (per Line Class Code per switch)	$6046.04 (26 codes)	$23,224.00 (100 codes)

NON-RECURRING CHARGES ASSOCIATED WITH UNBUNDLED TANDEM SWITCHING

Service Order Charge	$398.73	
Trunk Port Connection Charge per port	$770.29 Initial	$29.16 Subsequent Changes

CONCEPT DIAGRAM

TRANSITIONING FROM TOTAL RESALE TO ENTIRELY FACILITIES BASED COMPETITION